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TAGS: [PGOV](#) [PREL](#) [KDEM](#) [ECON](#) [HO](#)
SUBJECT: PDAS KELLY DISCUSSES MICHELETTI DEPARTURE WITH
SOCIETY AND BUSINESS LEADERS

REF: TEGUCIGALPA 0013

Classified By: Ambassador Hugo Llorens for reasons 1.4 (b/d)

11. (C) Summary: At a January 5 dinner with society leaders and a January 6 meeting with the business community, WHA PDAS Craig Kelly emphasized the importance of the resignation of de facto leader Micheletti in creating a climate that would allow quick reengagement with the international community following the inauguration of President-elect Porfirio "Pepe" Lobo. Participants in the dinner said that Hondurans are deeply divided on the correct way forward and that any discussion on Micheletti's resignation should be framed in terms of creating a positive environment for the future. General Romeo Vasquez, who heads the military, said that the atmosphere of fear among people who believe they may be jailed in connection with the coup is preventing forward movement. Business community leaders expressed support for Micheletti's resignation as the best path toward normalizing foreign relations, but were uncertain whether he would agree to step down. They expressed concern that ongoing negotiations on the minimum wage could lead to violence and political instability. End summary.

Dinner with Society Leaders

12. (C) Principal Deputy Assistant Secretary of State (PDAS) for Western Hemisphere Affairs (WHA) Craig Kelly met Honduran society leaders at a dinner hosted by the Ambassador on January 5. The guests were: former President of Honduras Carlos Flores, de facto regime negotiators at the Guaymuras Dialogue that led to the Tegucigalpa-San Jose Accord Arturo Corrales and Vilma Morales, Chief of the Defense General Staff General Romeo Orlando Vasquez, former Coordinator for the National Anti-Corruption Council Juan Ferrera, member of Congress and former Minister of Defense Edmundo Orellana, and former presidential candidate of the Liberal Party Elvin Santos. PDAS Kelly said that the U.S. has taken a principled yet pragmatic approach on Honduras and has steadfastly called for the restoration of the democratic and constitutional order while reacting to the changing reality on the ground. PDAS Kelly stated that the U.S. position on the November 29 general election was based on the belief that it was the best way to move forward. PDAS Kelly told the Ambassador's dinner guests that the U.S. now wants to achieve implementation of the Tegucigalpa-San Jose Accord, including formation of a unity government and establishment of a truth commission.

PDAS Kelly explained that the renewal of attention by the international community on Honduras during the January 27 inauguration of the president elected on November 29 presents an opportunity that Honduras should seize to achieve re-engagement by the international community. The Ambassador added that if there are no changes between now and inauguration day, the situation will become more complicated.

13. (C) PDAS Kelly told the Ambassador's dinner guests that during his January 6 meeting with de facto regime leader Roberto Micheletti, he would suggest that Micheletti relinquish power in order to facilitate normalization of relations between Honduras and the international community. PDAS Kelly clarified that Micheletti needed to step down on a date allowing sufficient time for countries to be able to decide to send delegations to the inauguration. PDAS Kelly noted that the U.S. does not have the intent of punishing anyone. He noted that the U.S. needs to show that it remains committed to the principle that there must be restoration of the constitutional and democratic order and that the best way to demonstrate this would be for Micheletti to step down. The Ambassador said that those who tell Micheletti to relinquish power are Micheletti's true friends. He added that part of the solution to the Honduran crisis is for Micheletti to have a dignified exit.

14. (C) Former President Flores stated that the U.S. improved the Honduran situation by supporting the elections, thereby legitimizing the process. He said that many in Honduras don't understand the importance of Honduras recovering the confidence of the international community. Flores noted that some of his fellow dinner guests had the power to make

Micheletti and his supporters understand this. Corrales argued that the question of whether Micheletti should step aside should not be posed since Hondurans are divided on that issue. He said it would be better not to personalize the issue and present it in terms of what needs to be done to complete the electoral process. Morales agreed, saying the message should be framed in terms of the country's goals after January 27. Orellana opined that Micheletti cannot be portrayed as a loser and that a dignified exit for him needs to be identified. He also said the focus of conversations on this issue should be the good of Honduras. Santos said president-elect Lobo is the one who needs to deliver the message to Micheletti and his allies that he needs to leave. Ferrera said he believed it was not fair to ask Micheletti to step down because many Hondurans believe Micheletti took the reins of government to defend democracy. General Vasquez said people are frightened by statements that those who supported the coup will be jailed or killed or excluded from political life and that frightened people don't move forward.

Breakfast with Business Community

15. (C) The Ambassador hosted a breakfast for PDAS Kelly and Honduran business leaders on January 6. Participants included Amcham chair Juan Moya; Amilcar Bulnes, President of the Honduran Private Enterprise Council (COHEP); COHEP advisor Norman Garcia; COHEP member Abraham Bennaton; Camilo Atala, President of the Honduran branch of the Latin American Enterprise Council (CEAL); Roque Rivera, president of the Honduran Association of Banking Institutions (AHIBA); Freddy Nasser of Grupo Terra; Luis Larach, President of the Chamber of Commerce of Cortes; and Aline Flores, President of the Chamber of Commerce of Tegucigalpa.

16. (C) PDAS Kelly repeated the points that he had made to the guests at the previous night's dinner, emphasizing the importance of the resignation of de facto leader Micheletti in creating an environment in which other countries (outside the ALBA group) would be willing to recognize Honduras quickly following the inauguration of President-elect Lobo. Bulnes expressed appreciation for PDAS Kelly's efforts to find a solution to the crisis in Honduras. He said that he had recently met with Micheletti, who had said that Congress

had ratified him and he would not step down. However, Bulnes said that he thought that Micheletti's resignation was possible under certain circumstances. PDAS Kelly's visit, he said, was fundamental in this regard. Garcia said that it was unclear what would constitute an acceptable transition. Changing a few ministers for two weeks, for example, would not mean much. Bennaton said that the business leaders understand that U.S. policy toward Honduras must be seen in the broader context of relations with Latin America as a whole; what happened in Honduras set a bad example for the region. On the positive side, he said, the crisis and the successful elections have given people more of a sense of pride about being Honduran.

17. (C) PDAS Kelly said that, while some maintain that Micheletti's resignation would be a victory for Venezuelan President Hugo Chavez and his allies, the opposite is in fact true. Micheletti's resignation would lead to widespread recognition of the Honduran government, which is what Chavez is trying to prevent. He said that, with the inauguration three weeks away, this would have to happen right away. With Zelaya's return no longer possible, Micheletti has achieved his main goal, PDAS Kelly pointed out. What would he achieve by staying until the last minute? Bulnes said that Micheletti felt that he would lose everything if he stepped down. However, he told PDAS Kelly that the group supported Micheletti's resignation, since it represented the best hope of a smooth transition for President Lobo. Atala said that the issue of revocation of U.S. visas was not important for anyone involved, a point strongly echoed by the rest of the group

18. (C) The business leaders expressed serious concern about the potential impact of the ongoing minimum wage negotiations (reftel). Bulnes expressed concern that the issue could lead

to more violence and a resurgence of the resistance, which he termed the "Chavista armed struggle." This would create a bad start for the Lobo presidency. Flores said that it would be far preferable for the minimum wage negotiation process to be completed during Micheletti's tenure, rather than President-elect Lobo having to take on this controversial issue at the start of his presidency. Larach said that 47 percent of small enterprises are not paying the minimum wage because they cannot afford to. There is no capacity in the economy, he said, to absorb a further minimum wage increase. Bulnes said that the political impact of the minimum wage discussions is more important than the economic impact, given the potential for political destabilization.

LLORENS